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## India

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### Food Security Bill Submitted to Parliament

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**Report Highlights:**

The Indian Cabinet has submitted to Parliament draft legislation that if passed in its current form will create a legal entitlement to subsidized food grains for 63.5 percent of India's population, and which will annually cost about INR 1 trillion (approximately USD 20 billion) starting in FY12, compared to current outlays of INR 670 billion. Food Minister K.V. Thomas pegs investment needs, however, at INR 35 trillion (approximately USD 673 billion) for increasing agricultural production, building proper grain storage facilities, and upgrading the Public Distribution System. Total annual Indian government deliveries under the Public Distribution System are projected to rise from 39 million metric tons (mmt) to nearly 64 mmt. The bill will go to a standing committee for further review before being re-introduced for passage in a future Parliamentary session.

**General Information:**

The Indian Cabinet unanimously approved on December 18 for submission to Parliament a heavily debated Food Security Bill that if passed in its present form will create a legal entitlement to subsidized food grains for 63.5 percent of India's population, including 75 percent of rural and 50 percent of urban dwellers. The draft was taken up as [Bill No. 132 of 2011](#) on December 22.

The bill provides that the poorest of the poor will be designated "priority" (46 percent of rural and 28 percent of urban beneficiaries) and will receive 7 kilograms (kg) of food grains per month per person at the prices of INR 1/kg for millet, INR 2/kg for wheat, and INR 3/kg for rice (approximately 2 cents, 4 cents, and 6 cents, respectively). This "priority" designation is broader than the current "below poverty line" (BPL) category. Other individual beneficiaries ("general category") will receive no less than 3 kg/month of food grain at prices equal to no more than half of the minimum support price paid to farmers for millet, wheat and rice.

Pregnant women and lactating mothers, besides being entitled to nutritious meals, will also receive a maternity benefit of INR 1,000 per month for six months, while children of age six months to fourteen years would get free mid-day meals at school. For infants up to six months of age, breast feeding will be encouraged. Wholly destitute persons are guaranteed one meal per day, the homeless will be offered affordable meals at community kitchens, and two free meals for up to three months will be offered to victims of natural disasters. Individuals considered to be "living in starvation or conditions akin to starvation" will be eligible for two free meals per day for six months from the date on which they were identified.

By comparison, under the existing Public Distribution System (PDS) administered by the Ministry of Consumer Affairs, Food and Public Distribution, 35 kg of wheat and rice per month is supplied to 65.2 million "Below Poverty Line" families at INR 4.15 and INR 5.65/kg, respectively. About 115 million "Above Poverty Line" families get at least 15 kg of wheat and rice per month at INR 6.10 and INR 8.30/kg, respectively. These families are served by approximately 450,000 public employees of the Food Corporation of India, which administers the Public Distribution System, another half a million state-level employees of the distribution network, and over 500,000 privately owned Fair Price Shops. About 39 mmt of grain (rice and wheat) was delivered through the PDS and other feeding programs in Fiscal Year 2010/11.

The bill calls for the food security program to be administered jointly by the central government and the states, though how this should work in practice remains to be determined. The bill requires the national government to make cash payments to states if grain supplies fall short. If grain cannot be provided in kind to a beneficiary, states will be required to pay a "food security allowance" in cash. In addition, a three-level bureaucracy is to be created to ensure delivery of this entitlement, consisting of a "District Grievance Redressal Officer," state food commissions in each state, and a National Food Commission. Individuals will have the right to grieve denial or non-delivery of benefits through this channel and penalties of up to INR 5,000 are authorized for public employees found guilty of failure to comply with a finding of the District Grievance Redressal Officer.

As currently envisioned, Indian sources announced the program will annually cost nearly INR 950

billion (approximately USD 18 billion), an increase of nearly INR 280 billion (USD 5.2 billion). Since this estimate is based on FY11 budget figures, it likely understates out-year costs by 10-15 percent based on projected outlays in FY12. In addition, Food Minister K.V. Thomas pegs one-time investment needs at INR 35 trillion (approximately USD 673 billion) for increasing agricultural production, building proper grain storage facilities, automating the current Public Distribution System that handles the existing welfare program, capacity development, and publicity.

Total annual Indian government grain procurement will rise from the current five-year average of 52.8 mmt to a minimum of 63.98 mmt. At present, Indian government storage facilities contain 27.7 mmt of wheat and 27.1 mmt of rice (peak stocks on June 1, 2011, were 66.6 million tons). The Food Corporation of India, a government entity, manages these facilities. Both commodities are stored for up to two years in 50-kg burlap bags. Bagged wheat is often stored in the open, on poured concrete slabs covered with pallets and is covered with tarpaulins at night and during rainfall (“cover-and-plinth” or “CAP” storage). Bagged rice is usually stored in roofed warehouses, also on pallets. Fumigation to kill insects and rodent control are ongoing concerns.

In 2010 Prime Minister Manmohan Singh formed an Expert Committee to draft the Food Security Bill; it included senior officials of the Planning Commission and Ministries of Agriculture and of Food, plus the Chief Economic Advisor. This led to a [draft](#) released to the public in September 2011, which according to media reporting was the subject of considerable debate within the Cabinet due to its high cost and its implications for sustained fiscal obligations over time. The debates apparently came virtually to naught, as the final version of the bill differs little from the original.

The World Food Programme (WFP) mission in New Delhi released volume two of a two-volume ([urban](#) and [rural](#)) report on food insecurity in India in September 2010. The report was researched and written in collaboration with the M.S. Swaminathan Research Foundation. The WFP report concluded that 80 percent of the Indian population is either malnourished or at risk of malnutrition, and thus should be targeted for food assistance, with the remaining 20 percent of “rich” Indians being made eligible to participate as well. This report also specifically recommended expansion of the Minimum Support Price system to other “major crops,” including other food grains than rice and wheat.

India produces 80 to 85 mmt of wheat, 90 to 100 mmt of rice, and 8 to 12 mmt of millet annually, for a total of these three food grains of no less than 178 mmt in an average year. Forty percent of this (70-80 mmt) is subsistence production and is not marketed; the Indian government currently procures via the Food Corporation of India (FCI) and other agencies 50 to 60 mmt per year. The remainder, about 40 mmt, is sold on the open market to flour and rice millers, both for domestic consumption and export. If enacted and implemented in its present form, the Food Security Bill will force the Indian government to procure at least 65 to 70 mmt per year. In addition, the annual throughput of government feeding programs will rise from the current 39 mmt per year to nearly 64 mmt, stressing the existing delivery system and putting pressure on internal grain markets.

In May 2011, the World Bank submitted a two-volume report on the Public Distribution System, “[Social protection for a changing India](#),” written at the request of the Planning Commission of India. The report reiterated what many already knew: the PDS is shot through with what the report termed “appalling levels of leakage which have persisted over many years.” The World Bank concluded that of the food grains delivered through it, only 41 percent is actually received by beneficiaries. The

remaining 59 percent vanishes en route (and re-emerges in the open market). The World Bank alluded to widespread corruption leading to delivery of PDS grains to the open market for resale at market prices, as well as “ghost” beneficiaries and issuance of ration cards to ineligible persons.